



Using balanced scorecard in operationalising FM strategies

Operationalising
FM strategies

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Abstract

Purpose – The purpose of this paper is to illustrate how balanced scorecard approach may be utilized in implementing organizational or facilities management strategies in workplace networks. The term workplace network refers to organizational actors involved in using and maintaining physical working environments. These actors include, among others, the tenant organizations and different service providers.

Design/methodology/approach – One large Finnish organization with an existing facilities management strategy was used as a case organization. The data were gathered through interviews and a workshop.

Findings – The paper illustrates how the balanced scorecard can be used in the workplace network. An exemplary goal is derived to the level of numeric measure.

Originality/value – The balanced scorecard has been widely applied in putting the general business strategies in action. Some facilities management-related solutions are also available. Applications including the entire workplace network are more rare and the originality of this approach comes from this perspective.

Keywords Facilities, Balanced scorecard, Finland

Paper type Research paper

Introduction

This paper suggests a way to use traditional strategy tools in operationalising and following up facilities management strategies. Traditionally, strategies have been intra-organizational affairs, but as facilities management typically involves actors from different organizational units and totally different organizations, it is suggested that the workplace network is included in the strategy formation and follow-up processes. The workplace network is a term introduced by Tuomela (2005) to describe the actors – user organizations, owner organizations and service providers – in the physical workplace context.

When the entire workplace network (user organizations, service providers and building owners) is involved in strategy creation and implementation, it is possible to describe the actions of the entire network even to the degree that the measures become intertwined. In this way, it is possible, for example, that the bonuses in a service provider organization are linked to the information retrieved from the measures of the end-user organization. Or the measures of the service provider may be used as the input for the scorecard of the end-user organization.

The strategy process and creating measures – using, for example, the balanced scorecard approach as is done here – may be perceived as a heavy process. Still, it is important that the individuals in different parts of the workplace network understand how their input may affect the way the facility management (FM) strategy is implemented. Thus, it may be useful to carry out a light version of the balanced scorecard exercise without building the model for measuring the implementation.



When a light version of the balanced scorecard exercise is carried out, the company introduces the factors that are seen as crucially important for the business and the issues that will be the focus in the future to its business partners and employees. After this, it is possible to discuss, in line with the balanced scorecard approach, how the partner organizations and individual employees may help in achieving these strategic goals in their day-to-day activities.

This paper concentrates on one case organization and on the question of how the balanced scorecard approach may be used in making the facilities management-related strategic goals concrete and measurable. The ideological background for this paper is retrieved from the work of Ouye (2003), in which he has utilized the balanced scorecard approach outside the traditional core business context – namely in the field of facilities management.

Background to balanced scorecard

The balanced scorecard was developed in the USA in the beginning of the 1990s by Kaplan and Norton (1992). Kaplan and Norton (1992) criticized the existing methods for assessing business performance for being too narrow and looking back instead of looking forward. From this starting point, they created a method which they named the “balanced scorecard”. This method aims at making the business strategy more measurable and concrete. Additionally, it forces the business managers to think about what the strategy and vision are really about and what are the actions that lead to fulfilling the ideas named in the strategy and vision.

Creating a balanced scorecard starts by naming the viewpoints of the work. Most commonly, the balanced scorecard work is carried out from the four viewpoints suggested initially by Kaplan and Norton (1992): financial viewpoint, customer viewpoint, viewpoint of the internal processes and viewpoint of learning and growth. Other possible viewpoints that are used in the literature are linked to, among others, human resources, the environment, sub-contractors and social impacts. The viewpoints utilized here are the four suggested initially by Kaplan and Norton.

After selecting the viewpoints, it is necessary to contemplate what are the most common goals associated with these viewpoints. The aim is to find concrete ways to fulfill these goals. And these concrete ways are then transformed into (preferably) numerical measures. This is often easier said than done [...]. One potential problem is that this process leads to a huge number of measures. Another potential problem is that the measures remain loose and their relationships with each other are not understood (Malmi *et al.*, 2005).

A balanced scorecard typically includes from eight to 26 measures, and it is important to keep the viewpoints balanced, so that there are approximately the same number of measures for each viewpoint. Some of the measures should look back and some forward into the future. It is also important to find a balance to the financial and non-financial measures (Malmi *et al.*, 2005).

It is also important to note that it is not enough to create the measures. It is also necessary to collect the data, and update the data and the measures. The measures are useless in the long run if they are not used in assessing the business actions and, when necessary, in correcting the procedures according to the measures. In order to take full advantage of the measures, they must also be improved constantly and their reliability, validity and internal relationships must be surveyed. If the measures

measure the wrong things or distort the picture of the organization, it is wise to correct the measures so that they fit the reality and theirs (Malmi *et al.*, 2005).

Balanced scorecard in FM

Balanced scorecard has been utilized in many lines of business. Some research on the topic has even been facilities management related (Hedley *et al.*, 2002; Levin, 2005; Bigliardi and Dormio, 2010; Bigliardi and Bottani, 2010). In facilities management field, the balanced scorecard has been utilized in two ways.

First, the facilities management goals and measures may be combined to be a part of organization wide measures. In this case, the strategic foundations are derived from organizational strategies and vision. Second, there have been balanced scorecards that are specially done from the point of view of facilities management (Nenonen and Lindholm, 2006).

This paper has been inspired by the balanced scorecard-based approach suggested by Ouye (2003). He has utilized the balanced scorecard approach introduced by Kaplan and Norton (1992) in combining the workplace design and business processes. The approach by Ouye (2003) is an application of the initial tool by Kaplan and Norton. The Ouye (2003) approach is interesting as it aims at understanding workplace-related issues for core business purposes. Furthermore, this method seeks valuable and obtainable measures and assesses the impact of the working environment on how the organization works.

Other strategy tools used in the facilities management field include the “four-level performance pyramid”, in which a pyramid-like hierarchical model is created to illustrate the organizational goals and the measures related to these goals. This method is closely connected to the balanced scorecard approach. In the facilities management field, the performance measurement system for service industries is also in use, as is the monitoring of immaterial capital. The latter is based on measuring three areas of immaterial capital (employee expertise, external structure and internal structure) (Nenonen and Lindholm, 2006).

Case study

The case organization in this paper is a Finnish research institution with some 5,000 employees. The institution as an entity utilizes the balance score card measures in its core business, and the aim here is to find ways to develop the facilities management strategy of the organization in accordance with the goals of the core business. The case organization has a long tradition of facilities management strategies. The facilities management strategy has been integrated into the strategy of the entire organization, and it has been acknowledged at the organizational level that the facilities management decisions may have important effects on the working of the whole organization.

The exercise was carried out in five steps. These steps are introduced next.

Step 1: selecting the viewpoints

The viewpoints were selected first. They were the ones suggested initially by Kaplan and Norton (1992): financial, customer, internal processes and learning and growth. An important reason for this was that these viewpoints are also used in the core business level of the case organization. Also Ouye (2003) utilizes these four viewpoints in his paper.

Step 2: defining the goals

The next task was to define the goals of the case organization from the viewpoints mentioned above. To find them out, a workshop was carried out during which the facilities manager and the facilities director told about the organization, its vision and strategy and the future challenges of the facilities management function. This was an easy task as the issues that came up were identified in the earlier strategy processes. From this data, 18 future goals and challenges were picked out for further analysis.

From the viewpoint of internal processes, the main challenges were:

- integrating facilities management, human resources management and information technology;
- enabling distant work;
- managing change processes;
- integrating internal know-how; and
- facing the challenges of globalization.

From financial viewpoint, the main challenges were:

- keeping facilities management costs down; and
- increasing spatial efficiency.

From the viewpoint of interest groups (in this case, the interest groups were the providers of outsourced services), the main challenges were:

- transparency between organizations;
- contracting;
- outsourcing;
- co-operation models; and
- sourcing.

From the viewpoint of learning, the main challenges were:

- adjusting to organizational change/resistance towards change;
- orientation for new employees as members of the organization;
- increasing innovativeness; and
- converging of intraorganizational know-how.

These are shown in Figure 1 in the form suggested by Ouye (2003).

Step 3: defining the tasks to reach the goals

As the space here is limited, one viewpoint is selected for further analysis. This viewpoint is that of learning and growth. Four goals were defined for this viewpoint:

- (1) *Adjusting to organizational change/resistance towards change.* Ongoing changes force the employees to learn new organizational practices and structures again and again. At the same time, it is important to overcome the resistance to change.
- (2) *Orientation.* Orientation for new employees as members of the organization.

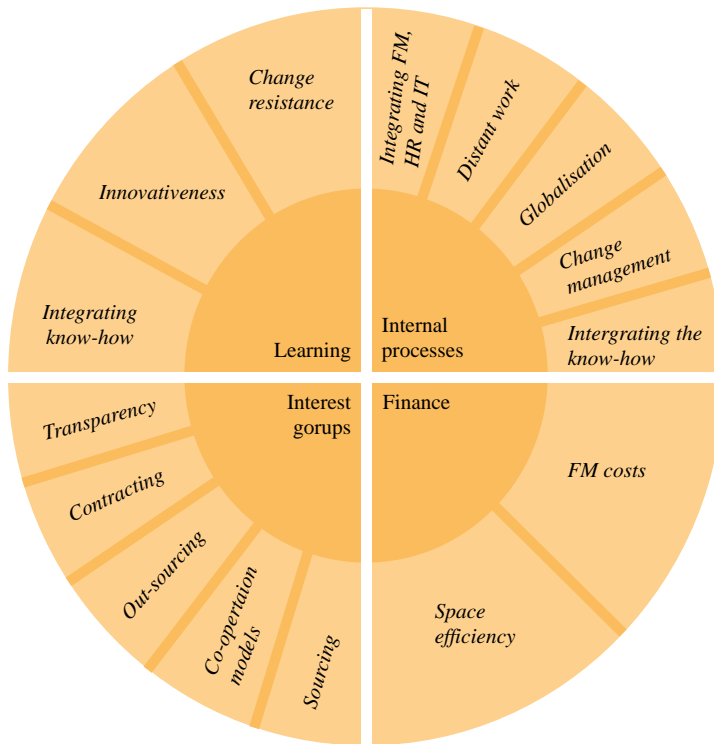


Figure 1.
Challenges according
to the workshop

- (3) *Innovativeness*. The knowledge intensive business calls for innovative employees. A central challenge of the organization is to find ways to support innovativeness.
- (4) *Converging of intra-organizational know-how*. A large company has many kinds of internal know-how that do not converge. The company should also take advantage of external know-how as widely as possible.

These goals are important at the organizational level, but the facilities management organization has understood that it may affect these goals considerably by its own actions. The next step in the case is to consider the practical steps of the facilities management organization to achieve this. This may be carried out as (a) workshop(s). Dependent on the goals, a workshop may be carried out inside the FM organization or, for example, participants from the HR and IT departments may be included. A further option is to include actors from other organizations that are part of the workplace network – the different service providers, other user organizations of the same premises and the landlord organization.

In our case setting, some ideas for concrete actions, from the viewpoint outlined above, were:

- The facilities management department could prepare a manual for the human resource management department so that they know what to do and tell the new employees and those leaving the organization.

- Standardizing the working environments. Introducing standard workstations, so that the employees may work without effort at the different premises and workstations.
- Switch around the workstations. The employees may be forced to meet new people by changing around the workstations regularly.
- Creating an environment that supports informal intra- and extraorganizational meetings.
- Creating opportunities for different kinds of work: group work, individual work [...].

These ideas were integrated into the model shown in Figure 2.

Step 4: creating measures for each task

The next step is to create tangible measures for each task. Here, one concrete action is again chosen for further inquiry and case-specific measures are introduced. The task chosen as an example is “creating an environment that supports formal intra- and extraorganizational meetings”. The facilities management department might make the assumption that if the environment supports formal meetings, the meeting rooms are used a lot for meetings that have individuals from different parts of the organization and from external organizations. The knowledge does not meet in an innovative and novel way if the meeting rooms are used mainly for meetings between people from the same department and organization who meet on a daily basis in informal contexts.

The discussion may reach the decision that the aim should be that at least in 50 per cent of the meetings, people from different departments should be present, and

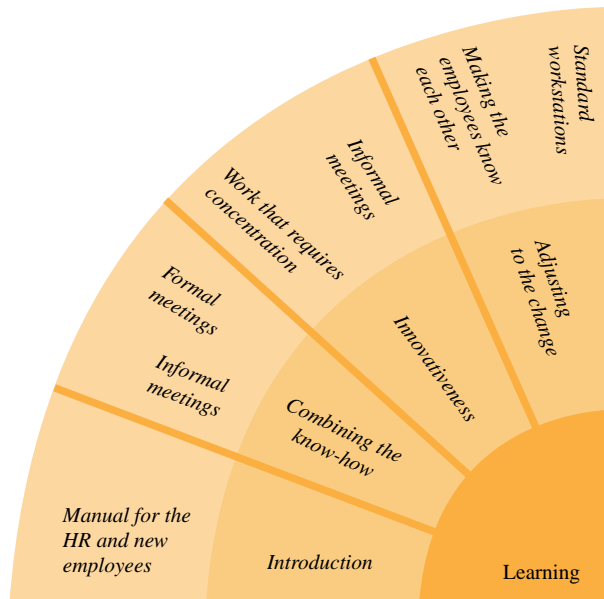


Figure 2.
Ideas on how the goals
may be met

in at least 30 per cent of the meetings, there should be representatives from other organizations. One way to measure this is to use an electronic system for reservations. If the level of 50 and 30 per cent is not reached, the facilities management department may consider how they may affect the way the meeting rooms are utilized (Figure 3).

After defining the measures, each measure will have principles of use, so that the measure is unambiguous and it may be easily used. In this phase of the process, the card created by Neely (1998) may be utilized. Each measure has its own card with the following information: name, meaning, financial goal, measuring and reporting frequency, owner, material to be collected and development plan. A card filled with the information from our example is presented in Table I.

Someone should be named responsible for the individual measure cards (the owner). The owner takes care of carrying out the measurement and reporting the results.

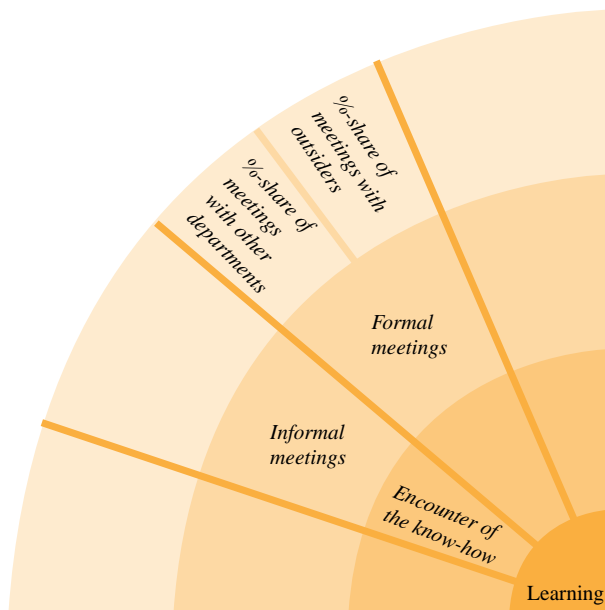


Figure 3.
Quantifying the goals

1. Measure	The utilization rate of meeting rooms
2. Meaning	The meaning is to use the meeting rooms more efficiently in combining intraorganizational and outsider knowledge
3. Goal	40 per cent of meetings have external participants
4. Formula	$(\text{meetings with outsiders/month} : \text{total number of meetings/month}) * 100$
5. Frequency	Once a month
6. Owner	FM assistant
7. Data	Statistics from intranet
8. Development plan	Developing the marketing of meeting rooms – free coffee for meetings with outside participants

Table I.
Measure card filled with
the case information

One part of the measure card is the development plan, which should be carried out if the goals are not met. The development plan includes concrete and manageable actions that make it possible to reach the goal. For example, in our case setting, the development plan might be that meetings with external visitors are provided with free coffee.

The development plan is an opportunity to include the workplace network into the discussion. For example, the service provider may have good ideas on how they for their part could assist in fulfilling the goals. In this example, the restaurant could suggest, the free coffee for meetings with external participants. If the restaurant did not know the goals and measures, this kind of co-operation would not exist.

The measure cards are great when used with balanced scorecard measures. The cards help to create and demonstrate the links between different viewpoints and organizational strategies. After creating measure cards for all the goals that were initially defined, they should be thoroughly tested so that they are functional and financially solid. Finally, it is necessary to implement the measures. In this phase, it is important to make schedules for the implementation and to name the human resources needed.

Step 5: follow-up

Creating a balanced scorecard and measure cards is a difficult process and it should not be done just once. In order to keep the measures functional, they should be updated and further developed both as an entity and at the level of individual measures. When there are big strategic changes, it becomes necessary to update the measures in more detail. This makes the measures dynamic and a functional part of the management system.

Conclusions

The balanced scorecard is a way to understand facilities management-related issues from the point of view of the support services and working spaces. Often, decisions about the supporting functions are made on a financial basis alone, as easily happens. However, there must be ways to see this more widely and to understand how the supporting functions may support the core business ever better.

Above, the balanced scorecard is utilized in a case study setting as a practical exercise. This exercise was worth the effort for all parties and it aroused many new ideas. The principles of the method are quite easy and it is quick to learn it. The initial phases of the exercise were easily carried out – there was little time needed and the workshop participants needed no prior understanding of the balanced scorecard. In this exercise, we only had participants from one organization, but it would be interesting to include participants from the entire workplace network in the exercise.

Creating an entire balanced scorecard system and its measures is an immense workload. If this is done with multiple organizations from the workplace network, and the aim is to partly synchronize the measures, the challenge is even greater. Still, in those organizations that have an organization-level scorecard, it could be useful to create a targeted set of indicators for the use of the FM organization. This set of indicators could be operationalised with the rest of the workplace network without creating the measures. This would increase the network's understanding of the client's core business needs.

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